

The Legal Intelligencer

Select '**Print**' in your browser menu to print this document.

Copyright 2009. Incisive Media US Properties, LLC. All rights reserved.

The Legal Intelligencer Online

Page printed from: <http://www.thelegalintelligencer.com>

[Back to Article](#)

Schnader Harrison: A Survivor at 75

Jeff Blumenthal

08-08-2005

Editor's Note: This is the first in an occasional series on institutions and people key to the development of the practice and culture of law in the Philadelphia area. The series is called Legal Pillars.

A mammoth oak desk dominates the office of Schnader Harrison Segal & Lewis chairman Ralph Wellington. Originally used by the firm's first chairman, Bernard Segal, and passed down to each of his successors, the desk has come to symbolize the core strengths that have sustained Schnader Harrison through its 75-year history.

Despite the roller coaster of the past decade, Schnader Harrison has remained true to the vision set forth during the depths of the Great Depression by the unlikely pairing of a Pennsylvania

Dutchman and a Philadelphia Jew, who attempted and succeeded in changing the white-shoe culture of Philadelphia law firms. The road traveled has included tremendous highs and lows, but the journey has never been boring.

Dec. 3, 1940 brought the first of many defining moments. William A. Schnader, firm patriarch and former Pennsylvania attorney general, was arguing a case before the state Supreme Court when he asked for a recess before falling to the floor - the victim of a severe stroke.

Schnader, one of the greatest litigators of his generation, would never argue a case again. The question had to arise, how would the firm he started only five years earlier, then called Schnader & Lewis, survive without its leader and chief source of business. After six months of rehabilitation, Schnader returned to helm the firm despite lacking the use of his right arm and a generally weakened physical condition.

His caseload would fall to his young protégé, Segal, who at the time was pondering whether to leave the practice for a teaching position. Segal proved more than up for the challenge, creating a legacy that rivaled that of his mentor. But that should not have come as a surprise being that Schnader had invested much of his reputation in Segal.

Retired Schnader Harrison partner Gerald St. John, who has informally become the firm's historian, said the Schnader and Segal partnership began in 1931 when the dean of the University of Pennsylvania's law school recommended Segal as a candidate to become one of Schnader's deputies in the Attorney General's Office. St. John said Segal once recalled being interviewed by Schnader and cautioning the attorney general that he would be hiring a Jew.

"Why do you think I would be interested in that?" Schnader reportedly asked in response.

The two went on to, among other things, draft a new state banking code before the Republican Schnader made an unsuccessful run for governor in November 1934. St. John said Schnader then

wanted to return to his former firm, what is now White & Williams, but Segal's religion might have been a roadblock being that none of Philadelphia's large firms hired Jews - or Catholics, blacks and women for that matter - for the first half of the 20th century.

So Schnader turned to a former law school classmate, Francis Lewis, who had practiced at Duane Morris & Heckscher and could offer financial backing and blue-blood connections to the new venture. Lewis died less than 10 years later and therefore was never a major presence. Other big names in the early years were corporate lawyer Gilbert Oswald and tax lawyer Fred Rosenblum. Segal's younger brother Irving, better known as "Buddy," joined the firm in 1938.

Schnader Harrison became the first religiously integrated Philadelphia firm, as it has traditionally been one-third each Protestant, Catholic and Jewish. Arlin Adams, who joined the firm directly out of Penn Law in 1947 and still practices there after an 18-year stint as a federal judge, said Schnader was well aware that once he added Segal's name to the firm's shingle, segments of the local business community would not send work his way.

"He knew exactly what he was doing and he was perfectly willing to accept that," Adams said. "He was a member of the Union League and his friends there told him as much when he was contemplating the name change."

With Schnader unable to try cases, the firm felt it needed another big-name litigator and first tried with former Pennsylvania Superior Court Judge Charles Kenworthy, who joined the firm in 1943, changing the moniker to Schnader Kenworthy Segal & Lewis.

But St. John said Kenworthy's stay was short-lived because of a messy divorce from his wife, which led him to flee to the other side of the state and join Reed Smith Shaw & McClay in Pittsburgh while leaving Schnader still looking for another high-profile litigator.

Adams said he called Earl Harrison, his former law school dean. Adams said Harrison was smarting after learning that he would be passed over for the university presidency in favor of Harold Stassen - who had just lost the Republican presidential primary to Thomas Dewey in 1948. He quickly accepted an offer of partnership from Schnader, giving the firm its current name.

Though Schnader and Segal are considered the firm's patriarchs, Harrison was also an exceptionally accomplished individual. He was a former name partner at what is now Saul Ewing and also served as commissioner of immigration and naturalization during World War II.

After the war, President Truman asked him to be his personal emissary at Europe's displaced persons camps. Upon his return, Harrison's report to the president recommended the former concentration camp prisoners who then occupied those camps be permitted to resettle in Palestine if they so chose. Some historians credit Harrison's report as a crucial step in the development of U.S. support for creating the state of Israel.

Because it was not a white-shoe firm, Wellington said Schnader Harrison did not possess the typical client base of its blue-blood Philadelphia peers - banks and other local institutions such as Wannamaker's or Sunoco. So the firm went national to find much of its clientele. Schnader brought in the Yellow Cab Co., Lehigh Coal & Navigation, William Penn Insurance Co. and most of the motion picture companies save for Warner Brothers, which ironically was represented by Wolf Block Schorr & Solis-Cohen. Harrison, who died in 1955, brought in work from Industrial Valley Bank.

And Segal managed relationships with clients such as United Parcel Service and RCA - which owned NBC, Hertz and Random House - though Buddy Segal took the lead in litigating UPS work while partner Jerome Shestack did the same for RCA. Adams said he and Rosenblum were also big producers of business for the firm.

Edward Mullinix joined the firm from Penn Law in 1949 after a gentle push from Harrison's replacement as dean, former U.S. Supreme Court Justice Owen J. Roberts. Mullinix said Roberts told him Philadelphia was a rather staid business community where new ventures typically struggled to gain traction. But Roberts said he was impressed that Schnader was able to break through. Mullinix, who is still active at the firm, said he quickly found out that Schnader was still very much in charge of the firm.

"He was very charismatic and a great mentor," Mullinix said. "He was very conservative about hiring. No one got hired without Mr. Schnader's approval. He had an active role in advising clients but his doctors would not let him litigate."

Even in his twilight, Schnader was still running weekly litigation department meetings.

"He would tell us about a case without telling us what side we were on," said Lawrence Hoyle, a North Carolinian whose professors at University of Chicago Law School steered him toward Schnader Harrison in 1965. "He wanted you to think about the problem and how to solve it. Young lawyers like me felt no hesitancy in asking for his advice."

Robbed of his trade in the prime of his career, Schnader turned his attention to running the firm and traveling the country to lobby state legislatures to pass the Uniform Commercial Code - the set of rules by which the affairs of commerce are governed. His two-decade quest ended with success in all 50 states.

By the early 1960s, Schnader Harrison had grown in size and stature, rivaled in Philadelphia only by white-shoe counterparts such as Morgan Lewis & Bockius, Pepper Hamilton & Scheetz, Dechert Price & Rhoads and the virtually all-Jewish Wolf Block.

Bernie Segal had become a national name due to his prodigious client roster, extensive bar

association activities and his commitment to social causes. Segal became the first Jewish chancellor of the Philadelphia Bar Association in 1952 and the first Jewish president of the American Bar Association in 1969. To put it simply, he had juice.

During Segal's year as chancellor, nine Philadelphians who were admitted communists were charged with conspiring to overthrow the U.S. government, and the city's large firms wanted no part in representing them. Schnader Harrison partner Dennis Suplee recalls a story in which Segal told leaders from each firm that if they would defend one of these people, he would get other firms to do the same. The result was an all-star high-caliber team led by the legendary criminal defense attorney Tom McBride.

"Not only did Bernie believe in pro bono, but he had a way of getting others to do it," Suplee said.

No instance exemplified this commitment more than his role in the civil rights struggle of the 1950s and 1960s.

In 1963, when Alabama Gov. George Wallace announced that he would disregard a federal court order to allow black students to enroll in the University of Alabama, St. John said Segal and Shestack called bar leaders from around the country and put together a list of 46 prominent lawyers who signed a statement that was published in Alabama's two leading newspapers asking Wallace to obey the order.

Days later, U.S. Attorney General Robert F. Kennedy called Segal to thank him for his assistance, and Segal responded by suggesting formation of a committee of lawyers to deal with civil rights issues. Segal was one of 244 bar leaders who attended President John F. Kennedy's announcement of the formation of Lawyers' Committee for Civil Rights Under Law, to be chaired by Harrison Tweed of New York and Segal - who darted over to the president to say that he had already told Robert Kennedy that he was too busy to accept the position.

St. John said the president said his brother had relayed those words but also told him about a visit to Segal's home, where among other memorabilia items was a note from grade school in which Segal won an essay contest. Written on it was, "You sheeny, you didn't win it - you stole it." Kennedy told Segal he wanted someone to head the committee who had experienced prejudice. St. John said Segal responded by saying the note was nearly 50 years old and the president told him, "Yes, but you kept the note all this time." Segal relented and agreed to lead the committee.

Segal's work with the civil rights movement led the firm to become an innovator in handling pro bono work. But it did not stop Schnader Harrison from growing steadily and prospering, despite never really having a strong transactional practice to go along with its powerhouse cadre of litigators.

The relationship between the two Segal brothers was complicated by the fact that no matter how good of a litigator Buddy became - and those who worked for him say he was a brilliant one - he would always be in the shadow of his older brother. St. John said the brothers were opposites. Bernie was formal, studious and low-key while Buddy was gregarious, excitable and blunt. St. John said the brothers, who were seven years apart, did not appear particularly close.

"Buddy could be an absolute blowtorch or he could sing your praises while Bernie was very even-keeled," said St. John, who often worked with Buddy Segal on UPS cases. "Buddy drank and Bernie never did. The two of them were like oil and water. I don't think they got along that well, except if an enemy was giving one of the brothers a hard time, they would gang up on that person."

Adams said Buddy could never escape his brother's sizable presence at the firm.

"I think Buddy was a smarter lawyer and a better advocate, but Bernie was better at building client relationships and he was really big with pro bono," Shestack said. "Buddy was abrasive and

he rubbed people the wrong way a lot of the times because he demanded perfection. I just think it was a mistake for him to go to his brother's firm because he was always in his shadow."

By the late 1960s, due to his declining health the elderly Schnader was wheelchair-bound but still insisted on personally interviewing every prospective new hire. The last one was Jacob Hart, now a U.S. Magisterial Judge, who was a 1967 Penn Law grad who spent a year clerking for a judge. Schnader had a rule that prohibited lawyers from having facial hair, but Hart said he did not want to shave his beard without an assurance that he would get the job.

"So before I came in for the interview, Sam Slade, who was the hiring partner back then, gave Mr. Schnader a picture of me so he could see what I would look like without facial hair," said Hart, who is now a federal judge. "So he asked me questions but kept looking down at the photo in his hands. I got the job and shaved my beard."

Schnader died in October 1968 at the age of 82. It was always assumed that Segal would become the firm's next leader and he did, becoming its first formal chairman and expanding the management committee from three to five members. Suplee, who became the firm's 52nd lawyer after graduating from Penn Law in 1967, said Schnader did not believe in traveling to law schools and therefore the firm did not recruit a lot of law students. But Segal brought the firm on to law firm campuses and it began to grow at a much faster rate.

"I think [Schnader's death] had an energizing effect," said Suplee, who is still a partner with the firm. "Mr. Schnader was in his 80s while Bernie was 61 and still at the top of his game. The firm began to recruit more aggressively."

With Segal in charge, the firm began to add whole classes of lawyers that became its third generation. The first one actually arrived the year before Schnader's death. The class of 1967, though they entered the firm at different times due to clerkships, included 10 lawyers. Four of

those were classmates at Penn Law - Suplee, Hart and real estate lawyers Michael Sklaroff and Richard Kalter. Corporate lawyer John Cunningham joined the firm from Villanova Law and litigator Michael Mangan joined from New York University Law School.

Along with Hoyle and the later additions of litigators Joseph Tate and Wellington, the firm had a bright group of young attorneys who would learn their craft from taskmasters such as Buddy Segal, Shestack, George Williams, corporate lawyer Gordon Cooney, labor lawyer Frank Abbott and real estate lawyer Lou Floge.

Tate was assigned to work with Bernie Segal and Shestack on RCA matters. Tate said that because Segal had helped incorporate UPS, he helped pick all of the lawyers that would represent the company around the country. He made sure to pick ones who would refer work to him. That network helped him become ABA president, which Tate said in turn helped Segal expand his Rolodex even further. As a result Segal's contacts referred to him a plethora of appellate cases that ended up before the U.S. Supreme Court.

"When we would go to Washington, Bernie would get notes from people welcoming him back," Tate said. "The court staff welcomed him with open arms. You can't imagine what it was like to watch the justices quote something Bernie said to them two weeks before and ask him whether it was consistent with his current argument."

By the early 1980s, Schnader Harrison was humming along and had more than tripled in size from the time Bernie Segal became chairman. But several lawyers said Segal made the same mistake all of us do - he grew old. The younger crowd, now partners, began getting restless. They wanted the firm to be managed in a more democratic way by electing members of the management committee instead of having them handpicked by Segal. They wanted Segal to be more open regarding firm finances and to establish a succession plan that included an orderly

transition from his reign.

In 1980, things came to a head when a group of younger partners, who today refer to themselves as "The Dirty Dozen," - which included Suplee, Tate, Wellington, Hart, Mangan, Kalter, Sklaroff and Clinton Stuntebeck - wrote a letter to Segal requesting more of a say in management and for a succession plan to be outlined. Suplee said Segal responded by inviting the group to dinner at the Philadelphia Racket Club and eventually began to incorporate some of their ideas.

In 1983, a new partnership agreement proposed an elected management committee and outlined a succession plan. But Hoyle, who had become a major rainmaker in his own right by handling asbestos litigation, was still not satisfied. He said he refused to sign it because he thought it ensconced the old guard in power. So he left at the end of 1984 to start his own firm, Hoyle Morris & Kerr, bringing several lawyers with him.

"The business of running a law firm had become much different, and I thought the older people were going to run the firm into the ground," Hoyle said. "I didn't want the firm to take a big fall when I was 50 or 60 years old."

Sklaroff followed six months later, leading a four-lawyer group to Ballard Spahr Andrews & Ingersoll.

"There was a general sense that the world was changing and the firm was not taking into account that new reality," Sklaroff said. "There was a blackout about who got paid what and I thought it should have been more transparent. I think a lot of the younger partners were looking for more of a voice."

Segal stepped down as chairman in 1986 at the age of 79, though some lawyers interviewed felt if he had done so a few years earlier, the firm would have kept some of the talent that left before and after his retirement. He was succeeded by Arthur Kahn, described by both the older and

younger generations of partners as a compromise choice who lacked the gravitas of Schnader or Segal.

"He was as nice of a man as you would ever meet who was a consensus pick because he worked for Bernie but was also very nice to the younger people," Tate said. "I just don't think he had the wherewithal to run a law firm at the time. He was just holding things together for an interim period."

Tate and others said Kahn's emergence was symbolic of a larger problem. Save for a few exceptions, most of the generation of lawyers that followed the Segals' generation relied on Bernie Segal to hand down assignments from his enormous client roster and never originated their own books of business. So when Segal stepped down, they were unable to fill the void and younger partners like Tate, Suplee and Wellington were still building their practices and reputations.

Suplee said Kahn did a solid job trying to keep the different factions on the same page while instituting a better origination system and a mandatory retirement age. That feeling changed when the economy took a nosedive in the early 1990s. In 1991, Tate, frustrated with a compensation system that include a cap on individual partner pay, left for Dechert and went on to become one of the city's top antitrust litigators. Shestack, who joined the firm in 1955 and was considered Bernie Segal's chief protégé, left a few months later for Wolf Block, which desperately needed a high-profile litigator after losing Alan Davis and Sy Kurling. Ironically, Shestack said the major reason for his defection was the mandatory retirement policy he helped write a few years earlier.

In early 1992, the firm laid off a number of associates in what Hart described as the St. Valentine's Day massacre. Suplee admitted he inherited a troubled firm when he became

chairman that year.

"People thought we weren't going to survive," Suplee said. "We had to change a lot of things at the firm. People thought when Bernie Segal stepped down that was the end of the process. Truth is, that was just the beginning."

UPS had moved from Greenwich, Conn., to the much more competitive legal market of Atlanta, taking with it a huge chunk of business. The RCA work had dried up while Suplee said the firm was also coping with undercapitalized coffers and partners not performing to previous levels.

Suplee said the firm hustled to bring new clients in the door while also asking certain partners to either retire or assume a lesser role at the firm. The latter caused the capital situation to get worse initially, but Suplee said it had stabilized by the end of his term in 1997.

Wellington succeeded Suplee and charted the firm on an aggressive growth course, which included opening an office in San Francisco, expanding existing sites in Pittsburgh, New York and Washington and adding several lateral hires in Philadelphia such as litigator Elizabeth Ainslie.

As part of that growth strategy, the firm merged with 50-attorney Goldstein & Manello of Boston in January 2000 and then merged six months later with 45-attorney Mesirov Gelman Jaffe Cramer & Jamieson. Both firms were thought to have ability to give the litigation-heavy Schnader Harrison something it always has lacked, depth and strength in its transactional practice areas. Unfortunately, the stock market collapsed and Wellington said the two firms never meshed into Schnader Harrison's unique culture.

Goldstein & Manello left in 2002 and only a small number of the Mesirov Gelman lawyers remain, and the ensuing economic strife caused several longtime Schnader Harrison lawyers to depart.

The firm went from having 200 lawyers before the mergers to 350 immediately afterward to slightly below 200 lawyers today. In its present form, Schnader Harrison resembles in size, culture and practice emphasis the firm as it was when Bernie Segal stepped down. The only problem was that most of its competitors had passed it by with national growth strategies that brought heightened profitability and profile.

With the firm on the brink, litigation partner David Smith was brought into the new position of firmwide CEO. He negotiated a buyout of the troublesome Boston lease and helped stabilize the firm's books and Wellington is now exploring future growth opportunities.

"Business leaders are beginning to ask me again how the firm is doing," Wellington said. "No one asked me that for about a year when things were tough. I don't think they wanted to embarrass me. Headhunters are calling again. We realize we have been through a tough time but the Schnader firm is back."

When asked what firm patriarchs Schnader and Segal would think of their law firm today, Wellington believes they would be pleased.

"When I walk in every morning, I pass their pictures in the hallway and I can't help but think that they would be happy that we tried to maintain the excellence in client service and responsiveness in the community," Wellington said. "They survived some really tough problems. And I think they would appreciate that we have as well."